Annualised hours white paper
Working Time Solutions

Working Time Solutions is a leading provider of specialist workforce optimisation software and working time consultancy. We have guided and helped to implement efficient working time systems with some of the UK’s largest and most recognised brands and companies.

This white paper seeks to provide clarity around the concept of annualised hours and the rationale for considering its potential application and benefits to an organisation.
Introduction

Annualised hours systems were first adopted in the UK in the early 1980s. Based on Scandinavian models, they were a response to the challenging market conditions and operational practices of the time and targeted as cost reduction and efficiency improvement vehicles.

Perhaps even more importantly, those organisations implementing them found that the concept had additionally provided a powerful catalyst for change in how their business operated and the relationship with their workforce.

Today, however, annualised hours seem to have developed a bad name. Organisations steering away from those principles either by way of reputation or through failed ‘local’ implementations.

The premise of this white paper is to maintain that the principles of annualisation are still sound and viable in today’s market and perhaps even more so than ever before. The aim of the paper is to remind the reader of the core principles of annualisation and some sound strategies around the introduction and on-going management of such a system.

Definitions

There are numerous definitions of annual or annualised hours, some of which are below.

‘Method of computing working time by year rather than by the week. This method is used sometimes in industries or occupations where there are seasonal variations in demand for services of employees’

"A form of compressed work schedule or reduced hours, in which employees (either full or part-time) work a certain number of hours per year rather than per week. Employees can take advantage of their seasonal interests, by taking certain parts of the year off" (FlexPaths).

'Annualisation' or 'annualised hours' schemes allow employees' working time (and pay) to be calculated and scheduled over a period of a year (or some other period longer than a week)

But, very simply, it means that it can express any ‘hours per week’ contract in terms of the equivalent number of hours over a year.
Principles

It is really when we talk about the principles that underpin annualised hours that we begin to see how it differentiates from some alternative models.

- The target number of production or service hours are identified for the year at the outset. This business analysis and forecasting provides the base line upon which a system can be designed.

- The actual hours planned to be worked can reflect a flat or fluctuating demand profile. For example, a seasonal business or a profile where certain days of the week may be busier than others.

- The target number of hours can then be divided by the desired annual contract ‘size’ to give an indication of the number of employees and team structures that may be required.

- There is no right or wrong answer for determining the annual contract size, but consideration should be given to the nature of the work/service undertaken, legislative requirements (for example, the Working Time Directive) and the demographics of the workforce.

  - Indeed, it is not uncommon for numerous contract sizes to be in place which fit well with the workforce demographics and still provide the targeted/predicted demand

- So – *Start with demand and consider carefully the number of annual hours that is appropriate for your organisation. This then tells you the theoretical number of people required to meet that demand.*

- From here, the design process ie what the working pattern and operating principles look like can involve a range of measures from the ‘toolkit’

- These should be tailored to the specific needs of the business or organisation and should involve all affected parties accordingly

- This is an iterative, on-going, process of continuous improvement. ‘Demand ’ should be revisited regularly, organisations should adapt according to external circumstance and feedback from their employees
So it’s not …

A pre-determined shift pattern or number of working hours

A ‘cut and paste’ from another business or organisation

A ‘fire and forget’ process

A purely top down driven process

Why use annualised hours?

There are many reasons why an annualised hours system might be appropriate for an organisation

- ‘Seasonality’ in business demand
  - Increased hours in peak seasons and reduced hours in low seasons but overall working within the annual hours agreed

- Flexibility – ability to react to fluctuations/volatility in demand
  - To cater for unpredicted peaks and troughs but working within the framework of having an agreed amount of contractual hours

- Promotes long term planning – because the organisation is tasked with forecasting/modelling demand up to a year in advance then focus is placed on the value of planning and the processes that will provide the most accurate data

- Provide flexibility to the employee
  - To allow employees flexibility within the design process and to be able to tailor their work hours to meet business demand within a flexible framework that supports non work activities and commitments
- Reduction in overtime dependency/overtime culture
  o To balance hours planned and work patterns with ‘true’ business demand profile thereby reducing the amount of unplanned spikes in labour demand and balance the hours worked evenly across the whole workforce

- Removal of restrictive practices
  o To introduce the principles and culture that demand and circumstances are changing and that the labour planning processes and models are on-going and organic in nature

- Increased ownership and accountability from the employee
  o To give employees the skills and decision making authority to plan labour patterns based on demand and design them with win/win principles in mind

- Harmonisation
  o Multiple contracts and terms and conditions can be rationalised

- Equalised pay
  o Across the year pay is by equal instalments regardless of the number of hours worked. For the business this means more a more predictable budget process and for the employee this takes away the ‘bust and boom’ of overtime earnings or idle time
The annualised hours tool kit

The pattern itself ...

- Continuous patterns – providing 24*7 cover
- Semi continuous patterns – 24 hours a day but only for 5.5 or 6 days a week
- Rotating two shifts or ‘double days’ – providing 16 hours cover a day
- Rotating double days and fixed nights – providing semi continuous cover but with teams who don’t rotate
- The options are many and varied ...

Other common features

- Rostered holidays – quite a common characteristic is to build holidays into the pattern of work. More regular time off will result as a consequence, although in highly seasonal patterns there may be particularly busy periods where the time off is limited. Please see example below of a continuous pattern with rostered holidays.

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- Reserve hours – An element of contractual time which is not scheduled within the pattern or roster. This time is held in reserve to cover eventualities such as sickness or sudden change in demand

- Committed or supplementary hours – hours purchased over and above standard contractual time. They may or may not bear a premium but can be called in to cover the various scenarios outlined above
Introduction and management

Outlined below are some pointers and guidelines to a successful introduction. Whilst there is never certainty of ‘success’ by doing some of the below you’re giving yourself a very good chance.

- Have a clear rationale for change outlining the business case and background

- Recognise the need for win/win and ensure that is one of your guiding principles

- Communicate and engage. Working time change is highly emotive and therefore the involvement and engagement of key stakeholders is critical

- Transparency – ensure that the process is visible and understood. How has demand been evaluated? Why have those solutions been designed as they are?

- Give a clear framework and boundaries to those empowered with introduction but also give enough freedom and ‘solution space’ to explore all the alternatives fully

- Don’t start with the solution - have no pre-conceived ideas that stifle creativity and create the belief that decisions have already been made

- Start with demand - what is the ‘true’ business demand. Are we constraining it by our own behaviours? Is it what the customer wants and when they want it?

- Keep it simple – if the managers and employees don’t understand the rules properly it has little chance of succeeding

- Review and refine – demand and circumstances change so don’t be afraid to review. Keep it two way – how can the business improve ways of working, how can the employee benefit?

- Build up ownership and empowerment. In a controlled environment give the employees the skills and knowledge to understand demand and design solutions to meet that demand. If they’ve contributed to it it’s more likely to have longevity.
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